



# City of NORFOLK

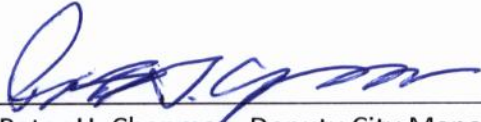
C: Dir., Department of Development

To the Honorable Council  
City of Norfolk, Virginia

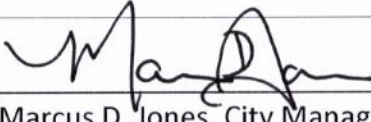
June 14, 2016

From: Charles E. Rigney, Sr., Director, Development

**Subject:** Reprogramming of Federal  
Economic Development Administration  
Grant

Reviewed:   
Peter H. Chapman, Deputy City Manager

**Ward/Superward:** Citywide

Approved:   
Marcus D. Jones, City Manager

**Item Number:**

**R-14**

- I. **Recommendation:** Adopt Ordinance
- II. **Applicant:** Economic Development Authority of the City of Norfolk
- III. **Description:**

This agenda item is an ordinance to shift the administrative responsibility of the Revolving Loan Fund from Norfolk Redevelopment and Housing Authority ("NRHA") to the Norfolk Economic Development Authority ("EDA"). These funds were previously identified as a funding source for the Norfolk First Funds. These funds will support the Citywide Partnership Fund and the Global Initiatives Fund. The Citywide Partnership Fund provides financial assistance to new and expanding businesses within the City of Norfolk that will create permanent employment opportunities for low to moderate-income residents. The Global Initiatives Fund provides patient, flexible capital to serve small and medium sized enterprises that seek to expand their presence in the global marketplace.

IV. **Analysis**

- The Norfolk Revolving Loan Fund (the "fund") was established with grant proceeds from the Economic Development Administration in 1998.
- The fund was established with \$300,000 EDA (Federal) grant dollars and \$110,000 in matching funds from the City of Norfolk (the "City"). The program has been administered since its inception by NRHA.
- The capital base for the fund is approximately \$607,000.
- The NRHA has agreed for the EDA to assume the administrative role for the fund.
- The fund will be used as part of a larger access to a capital program initiative for the City.

**V. Financial Impact**

Matching City funds were provided at the program's inception. There are no further City matching requirements. The fund is 100% capitalized. Loans from the fund will be used to generate and retain jobs in the City.

**VI. Environmental**

N/A

**VII. Community Outreach/Notification**

Public notification for this agenda item was conducted through the City's agenda notification process.

**VIII. Board/Commission Action**

N/A

**IX. Coordination/Outreach**

This letter and ordinance have been coordinated with the Department of Development, the City Attorney's Office, the Norfolk Economic Development Authority, and the City Manager's office.

**Supporting Material from the Department of Development:**

- Ordinance and its attachments which are the following documents:  
Cooperation Agreement  
Revised Norfolk Revolving Loan Fund Plan (October 2015)
- Letter of approval of October 2015 Plan



02/16/16 lds

Form and Correctness Approved: *NAC*

By *[Signature]*  
Office of the City Attorney

Contents Approved:

By *[Signature]*  
DEPT.

Pursuant to Section 72 of the City Charter, I hereby certify that the money required for this item is in the city treasury to the credit of the fund from which it is drawn and not appropriated for any other purpose.

*#519,549.69 and up to #105,450.31 in  
\$ future loan proceeds 2275-26-9150* *be*

*[Signature]* Account  
Director of Finance 3/8/16  
Date

NORFOLK, VIRGINIA

*AMSOK*

## ORDINANCE No.

AN ORDINANCE AUTHORIZING THE AMENDMENT OF THE REVOLVING LOAN FUND PLAN, AS APPROVED BY THE UNITED STATES DEPARTMENT OF COMMERCE ECONOMIC DEVELOPMENT ADMINISTRATION, AUTHORIZING THE COOPERATION AGREEMENT TO BE ENTERED INTO WITH THE ECONOMIC DEVELOPMENT AUTHORITY, AND, APPROPRIATING AND AUTHORIZING THE EXPENDITURE OF UP TO \$625,000.00 IN GRANT FUNDS IN FURTHERANCE OF THE NORFOLK REVOLVING LOAN FUND PLAN DATED OCTOBER 2015.

- - -

BE IT ORDAINED by the Council of the City of Norfolk:

Section 1:- That the Norfolk Revolving Loan Fund Plan - October 2015 ("RLF Plan"), which is hereto attached as Exhibit 1, and which amends The Norfolk Enterprise Community Revolving Loan Fund Plan -June 2012, is hereby authorized.

Section 2:- That a cooperation agreement in furtherance of the RLF Plan, in substantial conformity with the agreement hereto attached as Exhibit 2, to be entered into with the Economic Development Authority, is hereby authorized.

Section 3:- That a sum up to \$625,000.00 is hereby appropriated and its expenditure authorized, as required by the RLF Plan.

Section 4:- That this ordinance shall be in effect from  
and after the date of its adoption.

## COOPERATION AGREEMENT

THIS COOPERATION AGREEMENT ("Agreement") is made as of \_\_\_\_\_, 2016, between the CITY OF NORFOLK, VIRGINIA, a municipal corporation of the Commonwealth of Virginia (the "City"), and the ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF NORFOLK, a political subdivision of the Commonwealth of Virginia (the "Authority").

WHEREAS, the City has determined to introduce new economic and neighborhood development tools to promote comprehensive urban revitalization and to foster job growth and economic opportunity for all residents of the City; and

WHEREAS, the City is the recipient of a grant from the United States of America to be utilized as a revolving loan fund; and

WHEREAS, the United States Department of Commerce through its Economic Development Administration has approved a five-year plan for the revolving loan fund, said agreement titled The Norfolk Revolving Loan Fund Plan - October 2015 (the "Plan") hereto attached as **Exhibit 1**; and

WHEREAS, the Plan calls for the cooperation of the City and the Authority in the implementation of its programs; now therefore,

For and in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

### WITNESSETH:

In consideration of the public benefits to accrue to the City and its citizens from the undertaking and carrying out of the Plan, and, of the mutual covenants hereinafter set forth, the Authority and the City agree as follows:

1. Parties to Perform Their Obligations. The Authority and the City agree to take all actions reasonably necessary to fully perform the duties and obligations incumbent on them in order to assure the timely implementation of the Plan. The Agreement between the Authority and the City in connection with such matters includes, but is not limited to the specific agreements, actions and undertakings set forth in this Agreement and in the Plan and those matters necessary and incidental thereto.



2. City to Provide Its Funds to Authority. The City agrees to take all actions reasonably necessary to fulfill its obligations and to grant to the Authority sufficient funds to satisfy the Authority's financial obligations as specifically set forth in the attached Plan, which is hereto incorporated by reference.

3. Authority to manage certain parts of the Plan. The Authority shall administer the Revolving Loan Fund in accordance with the Plan. All loans will have to be approved by a vote of the board of directors of the Authority.

4. Agent of Authority. To the extent that the City (i) has expressly agreed by the terms of the Plan to perform services in furtherance of the Plan, or (ii) upon the request of Authority, agrees to provide services or assistance to Authority in furtherance of the Plan, the relationship of City to Authority shall be that of Authority's agent.

5. Authority to Perform its Obligations. With regard to the rights, duties and obligations of the Authority under the Plan, the Authority agrees to fully enforce its rights there under, to faithfully perform its duties and obligations and to keep the City fully informed as to its activities.

6. Provision of Personnel and Material. The Authority and the City collectively and cooperatively shall provide or cause to be provided all personnel, consulting services, equipment and materials reasonably necessary to fulfill their obligations and exercise their rights under the Plan and any related agreements, including but not limited to reports, all planning, administration and accounting functions and such related activities as may be necessary to carry out their respective roles in implementing the Plan and related activities completely, satisfactorily and in a timely manner.

7.     Reports and Payments to City.       The Authority shall deposit all payments received by the Authority under the Plan to the Citywide Partnership Fund or the Global Initiatives Fund, as appropriate, which funds will be established and maintained under the Plan, including any payments made by businesses in satisfaction of any loan made by the Authority under the Plan. The Authority shall report on its progress with respect to undertaking and carrying out the responsibilities of the Authority hereunder and shall provide to the City copies of all accounting, contracts, and any documents in its possession related to the Plan.

8.     No Discrimination.     The Authority and the City agree not to discriminate in carrying out this Agreement against any employee or applicant for employment or any Plan loan applicant because of race, color, religion, sex, age or national origin and agree to take affirmative action to insure that applicants are employed and that employees are treated during employment, and that Plan loan applicants are treated without regard to race, color, religion, sex, age or national origin. Such action shall include, but not be limited to employment, promotion, demotion, termination, rates of pay, other compensation and selection for training including apprenticeship, and Plan loan application acceptance and review.

9.     Subcontracting.       The Authority may subcontract for services essential to undertaking and carrying out its responsibilities under this Agreement with prior approval by the City. It shall be responsible to the City for the actions or omissions of its subcontractors and of persons either directly or indirectly employed by them and for the acts and omissions of persons directly employed by it, and at the time such subcontracting shall provide such bonds or insurance coverage as may be agreed upon by the parties.

10.    Applicable Law.       This Agreement and the performance thereof shall be governed, interpreted, construed and regulated by the laws of the Commonwealth of Virginia.

11. Notices. Any notices required to be given under this Agreement shall be sufficient if in writing and sent by first class, registered or certified mail, return receipt requested; if to the Authority, 500 E. Main Street, Suite 1500, Norfolk, Virginia 23510, Attention: Executive Director; or, if to the City, 1101 City Hall Building, Norfolk, Virginia 23510, Attention: City Manager. Either party may change its address for purposes of notice by giving notice to the other in accordance with this paragraph.

12. Binding on Successors in Interest. This Agreement shall be binding upon and shall inure to the benefit of the successors and permitted assigns of the parties hereto; provided, however, that in no event may this Agreement or any of the rights, benefits, duties or obligations of the parties hereto be assigned, transferred or otherwise disposed of without the prior written consent of the other, which consent neither party shall be obligated to give.

13. Third Party Beneficiaries. It is understood between the parties that no third party rights are created by this Agreement.

**CITY OF NORFOLK**

By \_\_\_\_\_  
City Manager

ATTEST:

\_\_\_\_\_  
City Clerk

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF NORFOLK**

By \_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Secretary-Treasurer



**CERTIFICATE OF FUNDING**

I hereby certify that the money required for this agreement is in the City Treasury to the credit of the fund from which it is to be drawn, and not appropriated for any other purpose.

ACCOUNT: \_\_\_\_\_

AMOUNT: \$498,-----

VENDOR CODE: \_\_\_\_\_

CONTRACT NO.: \_\_\_\_\_

\_\_\_\_\_  
Director of Finance

\_\_\_\_\_  
Date

Contents Approved:

\_\_\_\_\_  
Acting Assistant City Manager

Approved as to Form and Correctness:

\_\_\_\_\_  
Deputy City Attorney

# RLF Plan

Exhibit 1

Economic Development  
Authority of the City of  
Norfolk, Virginia

Sub grantee for the City  
of Norfolk, Virginia

## [THE NORFOLK REVOLVING LOAN FUND PLAN]

October 2015

## **The Norfolk Revolving Loan Fund Revolving Loan Plan**

The Norfolk Revolving Loan Program has been developed to assist business and industry in the City of Norfolk by providing below market rate loans for the acquisition of fixed assets and for use in providing working capital. Funding was originally provided with a \$300,000 grant awarded by the Economic Development Administration in 1997 in Award No.: 01-49-03642. The City of Norfolk contributed \$110,000, for an initial capitalization of \$410,000.

### **PART I: REVOLVING LOAN FUND STRATEGY**

The Norfolk Revolving Loan Program will assist business and industry in the City of Norfolk by providing below market rate loans in conjunction with private financing or private equity for the acquisition or expansion of fixed assets and/or provision of working capital to expand employment.

#### **Regional Economic Development Strategy**

Norfolk's Department of Development has begun working with regional groups to develop a new Comprehensive Economic Development Strategy (CEDS) for the Hampton Roads region. Compiling a team that can study the economic conditions for the metropolitan region is critical to ongoing viability of the regional economy in an ever changing environment. As part of the 100 Resilient Cities Initiative, pioneered by the Rockefeller Foundation, a study was performed to help cities become more resilient to the physical, social, and economic challenges that are a growing part of the 21st century. The information provided in the study identifies a SWOT analysis that is Norfolk-specific within a regional context. The SWOT analysis will be used as a baseline for participation in the preparation of an updated CEDS.

Working with HR&A Advisors and guided by stakeholder and community engagement efforts, Norfolk's Chief Resilience Officer and other senior members of staff identified a baseline analysis of current-state economic conditions. The results of that process is found below:

#### **Strengths**

- The East Coast's preeminent defense hub, with the Navy deeply entrenched
- Strategically located deep water port
- Downtown is the urban commercial core of the region
- Large set of neighborhoods that collectively create a strong, urban residential fabric
- Home to the region's major research university – Old Dominion University (ODU), as well as other educational assets including Eastern Virginia Medical School (EVMS) and Norfolk State University
- Waterfront access a strong amenity
- Home to region's only rail transit system
- Major hospital center serves regional population
- Committed core group of public, private and non-profit sector leadership focused on city and regional economic development



### **Weaknesses**

- Endemic concentrated poverty in some City neighborhoods
- Public education system fails to equip students with necessary skills and is detrimental to the retention of workers with families
- Significant job losses compared to neighboring cities
- Lack of connections between new creative businesses and legacy corporations and industries
- Failure to tell the City's compelling story to a wide audience
- Uncoordinated regional economic policies and goals, yielding unfocused strategies for growth, multiple organizations working towards same goals in isolation, and misaligned incentives
- Historic lack of patenting activity has failed to attract outside investment in a reinforcing cycle
- Supply of quality affordable housing does not meet local resident needs
- Limited regulatory autonomy and ability to experiment with some economic development models as a strict Dillon's rule state

### **Opportunities**

- Increasing demand for downtown, multi-family living in region creates opportunity for Norfolk, the region's urban core, to benefit from additional population growth
- Thousands of skilled workers leaving the military every year from Naval Station Norfolk
- Expansion of the Panama Canal, potential port development at Craney Island, and growth of ancillary port industries
- New economic development leadership team shifting economic development paradigm and expanding tool kit
- Continued expansion of The Tide, including into Virginia Beach, enhances the value of the whole network, while existing station areas offer transit-oriented development opportunities
- Support for new workforce development initiatives that better align with regional demand
- Emerging entrepreneurial community centered in City of Norfolk
- Concurrent resilience research efforts with the support of varied stakeholders, including 100 Resilient Cities, The Rockefeller Foundation, and ODU, could form platform for new resilience industry
- Ongoing rewrite of the city's zoning code and update of its comprehensive plan PlaNorfolk 2030
- Upcoming housing strategy presents opportunity to bolster public and affordable housing and investment in neighborhood improvements
- Military Circle, St. Paul's Quadrant, and Fort Norfolk represent potentially transformational projects that could help to define resilient development moving forward
- Diverse, well-educated international community drawn to the City by NATO, brings new perspectives and international connections

### **Threats**

- Increasing rate of sea level rise and more frequent storms
- Over-reliance on sectors over which the City has limited control and that are at risk of downsizing, such as military and ancillary industries
- Eroding corporate presence and attendant high vacancies in Downtown as companies move to larger southern and mid-Atlantic cities, or neighboring cities with lower rents and greater land availability

- Longstanding fiscal stress relative to state and other cities in the region, and correspondent difficulty maintaining infrastructure quality, largely attributable to Norfolk's large share of non-taxable land and high intensity uses such as the port and Navy
- Industries with job gains have lower wages than industries with job losses
- Limited land to accommodate development could limit Norfolk's ability to benefit from growing industries such as the port
- Students leaving for college outside the region and not returning home to begin their careers
- Declining City capture of regional tourism market

The best hope for regional transformation and combating dependency in Hampton Roads are:

- Diversifying the economic base and developing new industry of the future;
- Gaining public support for and appreciation of the economic value of its regional assets.
- Maintaining and growing the three pillars of the regional economy – the port, tourism and its federal assets;
- Building on defense-related competencies that can be utilized in other industries;
- Leveraging technologies developed at local colleges, universities and federal labs as well as commercial entities; improving commerce derived from industry, all of which is dependent on transportation infrastructure; The region must make it easier for people and products to move within the region;
- Significantly increasing the quality of life for residents by leveraging the variety of attractions, such as the arts and culture, venues and performances to provide more recreational opportunities in the region.

The overriding goal for *Vision Hampton Roads* became:

With proper foresight, continuous planning, and dynamic economic development, Hampton Roads will be recognized internationally as a region fueled by Innovation, Intellectual and Human Capital, Infrastructure and a Sense of Place.

The City of Norfolk's Department of Development has created a *Comprehensive Economic Development Plan (CEDP)* and has identified a series of goals for economic development. The City of Norfolk's Comprehensive Economic Development Plan was endorsed by City Council in 2015. The goal of the CEDP is "growing a prosperous economy by design with long-term growth and development of Norfolk's employment base and labor force." The core strategy is to:

- Build a sustainable local economy that:
  - Affords access to opportunity for all Norfolk residents
  - Fosters vibrant mixed-income residential neighborhoods
  - Supports and expands our tax revenue base
  - Harnesses Norfolk's competitive advantages as a diverse urban center
- Create an environment that is favorable for, and invites investment
- Offers a strengthened brand

The CEDP focuses on the following four multi-disciplinary components.



**Business Development** through business attraction, retention and expansion of target clusters.

- *Business Attraction Core Activities*
  - Direct engagement of site and location consultants
  - Rigorous research into and targeting of companies exploring relocations
  - Responding to solicitations from companies seeking to relocate
  - Administration of industry- and sector-specific incentive overlay zones
  - Marketing missions in coordination with selected partners
- *Retention and Expansion Core Activities*
  - Administration of financing tools to help address the capital needs of expanding businesses
  - Management of a tiered NorfolkFirst program targeting local employers of all sizes
  - Leveraging City and Norfolk Redevelopment and Housing Authority (NRHA) owned sites for local company expansions
- *SWaM Core Activities*
  - Harnessing the City's purchasing/procurement for small business development
  - Strengthening/managing referral process and links with established technical assistance providers
- *Target Clusters*
  - Healthcare/Life Sciences
  - Maritime/Supply Chain
  - Defense/Cybersecurity
  - Innovation/Technology/Manufacturing
  - Headquarters
  - Policy Associations
  - Creative/Artisanal/Film
  - Retail
  - Renewable Energy/Resiliency

**Revitalization & Redevelopment.** Redevelopment of opportunity sites in priority target areas

- *Core Redevelopment /Revitalization Activities*
  - Develop Requests for Proposals as a means of soliciting developer partners for City or NRHA-owned properties
  - Work with property owners to encourage redevelopment of strategic, privately-owned assets
  - Develop and implement financing strategies to help bring projects to fruition
- *Neighborhood Commercial Areas Revitalization Core Activities*
  - Administration of loan and grant programs for façade improvement, marketing, etc.
  - Technical assistance for small businesses

#### **Financial Services & Reinvestment**

- Direct lending utilizing federal dollars
- Underwriting of “synthetic” and bond-based tax increment financing deals
- Capital “formation” and acquisition (e.g. community development venture capital, tax credits)



## **Workforce Innovation & Wealth Creation**

- Assist in designing and overseeing adult workforce development programs in partnership with external organizations
- Conduct research on philanthropic prospects and help draft funding proposals to support City-initiated or sponsored workforce development and social enterprise programs and activities targeting low- and moderate-income individuals (e.g., vets, public housing residents)

## **Business Development Objectives and Financing needs of Targeted Businesses**

The City of Norfolk and the Economic Development Authority of the City of Norfolk (EDA) are focused on providing access to capital to aid in the City's development and revitalization and to create employment opportunities generated through new and expanding business activity. Originally funds were made available to just those businesses located in the Enterprise Community. In an effort to bring more benefit to City residents and businesses, the eligible lending area will be broadened to the entire city.

Evaluation of the S.W.O.T. analysis found in the 100 Resilient Cities study showed that many of the same issues identified in the last CEDS analysis still hold true today. It has been determined that the RLF needs to target locally owned and operated businesses that need assistance in obtaining financing for fixed assets as well as funding for working capital. The City's Comprehensive Economic Development Plan has identified those target clusters that are critical to growth in the Norfolk market. The City will continue to identify publicly owned land and/or facilities to meet the business community's need for expansion. The strategy is to make land available for the development of commercial and industrial facilities, work with existing businesses to expand, attract new businesses to commercial industrial properties and provide incentives to new and existing businesses in the form of loans and public improvements.

### **Objectives of the Business Development Strategy:**

1. To attract new businesses, industry and commerce
2. To retain existing businesses in the City of Norfolk
3. To aid in the expansion of current Norfolk businesses
4. Provide support in the form of financing, tax relief, physical infrastructure, marketing and other assistance to promote growth and development of new and existing businesses in the Target Clusters.

## **Financing Strategy**

### **1. Current Types of Financing Needs.**

Small businesses historically have difficulty obtaining financing for fixed assets. If financing is available, the down-payment requirement or terms prohibit some business's ability to move

forward with these financing options. Obtaining financing after the most current recession is also difficult because financial institutions are reluctant to absorb the added risk.

2. Availability of Public and Private Financing.

There is a shortage of both private and public funding available to finance economic development in Norfolk.

3. Financing Niche.

- (a) The RLF will finance small to moderate sized businesses with 1-150 employees.
- (b) Fixed asset financing will be available for the purchase of real estate, machinery and heavy equipment. Working capital financing will be available especially for those entrepreneurs who are in the early stages of their business life cycle.
- (c) The terms of the loan will be no more than ten years for machinery and equipment and no more than twenty years for real estate, with a fixed interest rate. Working Capital loan terms will be no more than seven years. All terms will be based on the useful life of the assets being financed.
- (d) Terms will be flexible to meet the borrower's cash flow needs. Initial periods of interest-only payments will be considered for start-up operations and possibly to support a large expansion project.
- (e) The available funds will be divided equally between two new loan fund initiatives: Citywide Partnership Fund and a Global Initiatives Fund. The two funds will be combined for the purposes of reporting to the EDA on a semi-annual basis.

4. RLF Impact.

The RLF, was originally capitalized at a total of \$410,000. The current balance available to fund approved loan requests is \$498,968.03 according to the 3/31/2015 RLF Semi-Annual Financial Report. We project making eight (8) to ten (10) new loans creating a minimum of twenty-five (25) new jobs.

### **Policy and Portfolio Standards**

The RLF will target industrial, commercial, service, and exporting businesses within the City of Norfolk and will be consistent with the identified Target Clusters. Loans from the RLF will be made available to new businesses as well as existing businesses. The financing structure for each loan will require that 57% of the financing be obtained from a financial institution or equity infusion, 33% from the RLF and a minimum of 10% cash injection from the borrower. The RLF will create one (1) new, full-time permanent job for every \$20,000 loaned from the RLF. The overall objective is to create as many jobs as is feasible, but in any case, the minimum standard will be to create one (1) full-time permanent job for every \$20,000 loaned by the RLF.

### **Lending Criteria**

Economic impact criteria used to evaluate proposed loans will include the borrower's repayment ability; the extent and amount of job creation the business will provide. In addition, the RLF will make loans to those businesses that cannot otherwise be funded through commercial loans at favorable terms and/or rates.



## **PART II: OPERATIONAL PROCEDURES**

### **Portfolio Management Procedures**

The Economic Development Authority of the City of Norfolk, Virginia will be the organization with primary responsibility for administering the RLF. Staff from the City's Department of Development will provide support for day-to-day operations of the RLF. Department of Development staff will perform all of the required functions in the making and servicing of RLF loans for business development.

The Department of Development has hired a Chief Investment Officer (CIO) who will provide oversight over the program. The CIO has more than 20 years of experience in commercial banking, to include, underwriting, credit analysis, loan structuring, collections and workout resolution.

The City of Norfolk Department of Development also has primary responsibility for business recruitment and business retention for the RLF eligible activities and will be actively involved in marketing the RLF; in analysis of its use; and in determining how to improve its effectiveness in meeting the goals and objectives of the City of Norfolk.

The law firm of Kaufman and Canoles represents the EDA of the City of Norfolk. George Consolvo is the lead attorney. The firm has extensive legal experience in all aspects of commercial lending and will provide the legal support required in the operation of the RLF.

The loan management function will be managed by City's Department of Development staff. They will undertake loan processing, credit analysis, loan write-ups and recommendations, and collections. Department of Development staff is responsible for loan servicing, delinquent loans, foreclosures and compliance with state and federal grant requirements. Loan closings and processing will be performed by the law firm, Kaufman and Canoles.

### **The Norfolk First Loan Committee (NFLC)**

The Norfolk First Loan Committee (NFLC) shall review loan requests for the Citywide Partnership Fund and the Global Initiatives Fund. The loan committee shall be composed of various community representatives, including those from the financial, real estate, and small business sectors within the City of Norfolk. The NFLC will have 5 members as well as an ex-officio member from Economic Development Authority Board. Members of the loan committee will be appointed by Norfolk's City Manager.

The NFLC, while not having loan approval authority, will review the loan credit package in its entirety and will make a recommendation to approve or decline credit requests. Recommendations will be made to the Economic Development Authority Board of Directors for their approval.

NFLC meetings will be held on an as-needed basis. A quorum of committee members is required to recommend a loan.

### **Conflict of Interest**

No Department of Development employee or member of the EDA Board, or other City board or City employee that advises, approves, recommends or otherwise participates in decisions concerning loans or the use of RLF funds, or person related to said persons by immediate family, law, or business arrangement, may receive any benefits resulting from the use of RLF loan or grant funds. Immediate family is defined as parents, grandparents, siblings, children and grandchildren, but does not include more



distant relatives, including cousins, unless they live in the same household. Exception: A benefit or loan may be conferred if the officer, employee, City Council member or other board or commission member affected first discloses to the EDA Board on the public record the proposed or potential benefit and receives the Authority's Attorney's written determination that the benefit involved is not so substantial as to reflect adversely upon or affect the integrity of the RLF's decision process or of the services of the officer, employee, or member of the EDA Board. EDA Board members are responsible for disclosing any possible conflict of interest that may exist with respect to a particular action of the loan approval.

Any Department of Development employee, or EDA officer, or member of the EDA Board, or City employee shall not solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment or any other thing of monetary value, for him or herself or for another person, from any person or organization seeking to obtain a loan or any portion of the RLF funds. Former EDA Board members and/or officers are ineligible to apply for or receive loan or grant funds for a period of one year from the date of termination of his/her services. Loan Committee members that have other professional relationships (i.e., a banker with loan to borrower) with a prospective borrower cannot be present for deliberations, but may respond to questions from other members of the Board, to avoid the appearance of a conflict of interest. All Board members will be required to comply with local and state conflict of interest policies and filing requirements.

### **Loan Processing and Underwriting**

1. Standard Loan Application Requirements - Each applicant for a RLF Loan will be required to provide the following information for review and analysis by the RLF staff and by the Norfolk First Loan Committee:
  - All borrowers must complete and sign the relevant loan application specific to the investment program in which they are seeking financing. There will be a \$250 non-refundable application fee. The applications are available on line at [www.norfolkdevelopment.com](http://www.norfolkdevelopment.com) or at the Economic Development Authority of the City of Norfolk's office located at 500 E. Main Street, Suite 1500, Norfolk, Virginia 23510.
  - All questions regarding the application should be directed to Norfolk Department of Development.
  - Borrower must provide the following for an application to be considered complete:
    - Signed Loan Application
    - Signed Personal Resume for all principals with a 20% or greater ownership interest in the applying entity and key management.
    - Freedom of Information Act Disclosure should be acknowledged by authorized representative for the applicant as well as all principals with a 20% or greater ownership interest in the applying entity.
    - Completed Company Profile form
    - Signed Business Debt Schedule
    - Signed Personal Financial Statement for all principals with 20% or greater ownership interest in the applying entity. Personal Financial Statements should not be more than 90 days old.
    - 3 years signed business tax returns
    - 3 years signed personal tax returns (for all principals with a 20% or greater ownership interest in the applying entity)



- Three most recent years of company's CPA audited, reviewed or compiled financial statements (balance sheet, income statement & statement of cash flows), current year to date interims statements. CPA prepared financial statements are preferred. Exceptions may be made when an entity does not have CPA prepared statements.
    - A business plan for any company that has been in existence less than 2 years. The business plan should provide detailed projections related to the entity and the project itself.
    - Description of collateral
    - Organizational documents: Norfolk Business License for sole proprietors; Partnership Agreement for partnerships; Articles of Organization for LLC along with operating agreement if there is more than one member; Articles of Incorporation for corporations along with by-laws.
    - Other related information as needed.
  - Stamp all documents confidential.
2. Credit Reports. The RLF will also require a credit report for each borrower and the applicant must execute a form authorizing the Revolving Loan Fund staff to obtain the necessary credit reports.
  3. Appraisal Reports. For all applications approved by the Norfolk First Loan Committee an appraisal of the fair market value of the real estate to be financed must be obtained prior to loan closing. The appraisal must support the estimated value of the property as contained in the loan application. The appraisal to be provided to the RLF staff must be a full narrative appraisal which contains the three methods of computing fair market value (construction/income/comparable sales). The RLF staff will review the appraisal, discuss it with the Norfolk First Loan Committee, if appropriate, and insure that the project being funded with RLF financing is supported by an accurate and comprehensive estimate of its collateral value.
  4. Environmental Review. The borrower will be required to comply with all state and local environmental review requirements with all applicable Federal, state and local standards. The RLF staff will visit and inspect each property proposed for RLF financing to determine if any potential exists for environmental hazards. The condition and age of the existing property, its current and former use, and the nature and condition of neighboring adjacent uses will all be analyzed and considered. A determination will be made for additional inspection by a qualified inspector, as well as an environmental audit, as appropriate. If the potential exists for environmental problems with the property to be financed, a Phase I Environmental Report will be required of the borrower. The RLF will utilize the services of qualified personnel to review environmental questionnaires for compliance with the above. The RLF staff will review and consider the Phase I report and make a determination before a loan commitment letter is extended. The RLF staff will not recommend participation in any loan where a potential exists for serious environmental problems or where the collateral value of the asset to be financed would be compromised without proper mitigation or coordination with local and state agencies to address environmental concerns.
  5. Standard Collateral Requirements. The RLF will require the personal guaranty of any owner holding a 20% or more interest in the business to be financed. The RLF will require comprehensive hazard insurance naming EDA as a loss payee for each loan in an amount sufficient to insure the protection of the principal amount of the loan. The RLF will require key



man life and/or disability insurance on a case by case basis as determined by the Norfolk First Loan Committee.

A lender's title insurance policy will be required on each real estate property financed. The RLF will provide financing for fixed assets in combination with and subordinate to a commercial lender of the borrower's choosing. The RLF will obtain a second deed of trust, subordinate only to the participating first mortgage lender, in an amount equal to its loan amount and supported by the appraisal discussed in #3.

6. **Standard Equity Requirements.** The RLF will make loans for the acquisition of fixed assets and working capital. For loans approved for an existing business, the borrower must make an equity investment of at least 10% of the total project cost. The 10% equity investment required may come from the personal assets of the borrower or the assets of the business to be assisted. The borrower must demonstrate the availability of the required 10% equity investment in the material submitted to the staff prior to the Norfolk First Loan Committee.

For loans approved for a new business venture, the borrower must make an equity investment of at least 15% of the total project cost.

If the Norfolk First Loan Committee determines that the asset to be financed is a single purpose building it may require an additional equity investment over and above the previously stated minimums.

7. **Loan Write Up.**  
The staff will provide the Norfolk First Loan Committee a comprehensive loan write-up prior to the Loan Review Committee meeting. The loan write-up will summarize the key aspects of the proposed financing and will include:
  1. Location of the project.
  2. Detailed description of the borrower(s). A list of owners and their percentage of the business.
  3. List the names and relationships of the guarantors to the owners of the business as appropriate.
  4. Briefly describe the business.
    - (a) Loan request, the monthly amortization, and term.
    - (b) Interest rate.
    - (c) Use of Funds by category.
    - (d) Loan Fees: The maximum fee charged will be 1%. Applicants shall be responsible for any outside costs incurred for processing, such as appraisals, environmental reports, credit reports, etc.
  5. Description of the collateral pledged for this loan, and indicate the secured position of the RLF
  6. For non-real estate related assets, Invoices, Bill of Sale or other means to value the asset(s) being financed can be used.
  7. Description in detail for the purpose of the loan. Detail on the sources and uses of proceeds to complete the project.
  8. Public Benefit: Describe the benefit of this loan in terms of jobs retained and/or created. Indicate the value of this borrower to the community. Jobs saved are defined as jobs that would be imminently lost without RLF assistance.

9. Job/Cost Ratio: Divide the total loan amount by the number of jobs saved and/or created as a result of this loan.
10. Why the loan is necessary and appropriate and proof the proposed loan does not replace private sector funding sources
11. Financial Analysis that describes the Company's financial performance as reflected by its financial statements, with special emphasis on revenues and operating income, leverage, cash flow, and debt capacity.
12. Credit Report obtained on the principals, guarantors, and company.
13. Discuss any City environmental review and the results of any required Phase I or Phase II environmental study. Attach an environmental checklist or other review that is relevant to consideration of the loan. Indicate what actions the borrower must take to comply with any environmental findings or requirements.
14. Recommendation, based on analysis of the financial analysis, and ability to repay.

The RLF staff will also provide the Norfolk First Loan Committee a copy of the participating bank's internal credit/background analysis report when available to provide insight and observations of the borrower's bank of account.

### **Loan Review Process**

1. Applications shall be reviewed in the order received and based on readiness for the project to proceed. In the event that the loan funds requested exceed available funds, the following criteria will be used to determine which business(es) will be awarded the loan(s):
  - a. Eligibility of the applicants;
  - b. Eligibility of the project to be undertaken;
  - c. Evidence of the ability to repay the loan;
  - d. The extent to which the loan can be secured;
  - e. The extent to which private funds are being leveraged;
  - f. The extent to which jobs are to be created, the type of jobs and wages;
  - g. Timing of the proposed expenditures
  - h. Length of time in business or experience
  - i. Other relevant factors as deemed appropriate by a majority of the Loan Committee members, as applicable.
2. Preliminary Review - Staff from the Department of Development will review the application for completeness and verify the proposed project meets the minimum requirements provided for in this credit policy. Any exceptions must be documented. If the application is not complete, the applicant will be informed of the deficiencies.
3. Credit Analysis Review – Prior to the Committee's review of the application, the Department of Development will prepare a credit analysis for each principal owner or officer of the business with a 20% ownership interest or greater.
4. Formal Review – The Committee will meet to review an application and credit analysis package. The Committee has the ability to determine if a proposal is acceptable for funding or not. The Committee will make a recommendation to the EDA.



### **Economic Development Authority Loan Approval**

At the Economic Development Authority's monthly meeting, all loan request recommendations from the Norfolk First Loan Committee will be discussed, voted on, or deferred. A majority of the Board members at a meeting in which a quorum is present shall be required for official action concerning the loan requests.

### **Federal Compliance**

To ensure the loan activity or purpose is compliant with federal funding requirements, a designated representative from the Norfolk Department of Development will seek guidance from the National Development Council and/or the City's CDBG Grant Administrator and/or the Federal EDA to verify compliance. Only those loans that are compliant with federal standards will be recommended for approval.

**Minutes of each RLF Loan Review Committee meeting will be maintained and reviewed and approved at subsequent Board meetings.** The RLF staff will notify each applicant in writing of the Loan Committee's decision. Those loans that are approved will receive a loan commitment letter stating the terms and conditions of the financing to be provided. The RLF staff will also provide the borrower with a listing of the information/documentation required for closing the RLF loan.

### **Loan Decline and Appeal Process**

The Board will act upon recommendations for loan approval with the knowledge that the due diligence and underwriting on each loan has been completed, and upon reliance that the financial exhibits provided in the application are correct. Where a loan is denied by the Board, an applicant may request further review, if the applicant can provide additional information that addresses the concerns of the Board about the proposed loan. However, the Board's decisions on loans are final and binding and cannot be appealed to the City Council.

## **General Closing Requirements**

The RLF will require that the borrower demonstrate both evidence of total project cost at closing with paid invoices or a HUD settlement statement and execute a certificate of injection stipulating the amount of funds the borrower has personally or corporately invested in the project.

1. The RLF will require copies of the borrower's bank commitment letter for permanent and interim financing, promissory note, first deed of trust, UCC filings, assignment of rents, if applicable, and other executed documents evidencing the bank's participation prior to loan closing.
2. Loan Closing Documentation Requirements.

The standard document checklist for closing will include the following:

- RLF commitment letter
- RLF executed Promissory Note, Deed of Trust, Loan Agreement
- Assurance of Compliance for Nondiscrimination and Agreement of Compliance (SBA Form 601)
- Use of Proceeds Form
- A statement of No Adverse Change in the Financial Condition of the Borrower
- Injection Certificate and Evidence of Injection



- Agreement of Prior Lienholder and Estoppel Letter
- Permanent Loan Bank Note
- Settlement Statement
- Certificate of Occupancy, if applicable
- Hazard, Life, Title, and Disability Insurance Documentation as required
- Deed of Bargain and Sale

3. Loan Disbursement Requirements.

If the RLF loan is for machinery or heavy equipment, the borrower must take delivery of the asset to be financed and present the necessary invoice for payment before the RLF loan could be closed and funded.

The RLF will only disburse funds at closing upon the satisfactory completion of construction and after all necessary documentation has been provided that the purchase and/or construction has indeed been completed in accordance with previously agreed upon terms and conditions and building plans.

After a loan is approved, the Environmental Review Record for the project is completed. Thereafter, a Loan Commitment Letter will be issued with the terms and conditions of the approved loan addressed to the borrower and guarantors. All parties involved in the loan transaction must execute the Commitment Letter. This executed letter becomes part of the loan documentation package.

The Economic Development Authority will engage an attorney to draft the necessary loan documents. At a minimum there will be a promissory note, a loan agreement, a security agreement or any necessary documents to secure the loan with the approved collateral. Guarantee agreements will be required when the borrower is an entity and the related person(s)/entities are guaranteeing the loan. Other documentation may be required to perfect liens and security interests and to evidence other loan deliverables.

A designated representative from the Department of Development is accountable for ensuring that the loan documents conform to the approval. The designated representative will work closely with the closing attorney and borrower to ensure a timely closing. A loan closing should occur within 30 to 45 days of a signed commitment, although commitments will be valid for up to 90 days.

Funds will be disbursed through the appropriate loan fund and checks must be issued using standard operating procedures for check issuance for the Economic Development Authority.

If the application is not approved, the Department of Development will send a letter to the applicant stating the reasons for rejection.

#### **Loan Documentation**

Loan documents for individual loans will conform to the loan approval and shall be in compliance with all applicable laws. The documents will at a minimum address the following:

- **Financial Terms** – interest rate, term, conditions under which loan proceeds will be disbursed, and a prepayment clause.
- **Performance Commitments** – representations and warranties, covenants, events of default, remedies and enforcement.

The list above is not exhaustive and may be added too as necessary for individual loan requirements.



### **Records**

Written records of all program activities, including Economic Development Authority Board meetings, loan applications and related documents shall be maintained in the appropriate files. All files shall be kept in a secure place with access limited to authorized personnel.

The following items shall be established and maintained in a loan file by the Norfolk Department of Development acting on behalf of the Economic Development Authority:

1. Application: This will be kept in the loan file and includes the application, business financial statements, personal financial statements, business tax returns, personal tax returns, credit reports, business plan documents and other supporting loan information submitted along with all applicable correspondence.
2. Credit Package: The loan file will include the credit memo and all supporting analysis needed to make a lending decision. The credit package will be reviewed by the Committee and a recommendation will be made to the Economic Development Authority Board. Each loan file shall contain a copy of the signed approval document with the loan terms and conditions clearly delineated.
3. Loan Documentation: The loan file will contain copies of all the loan closing documents such as security instruments, the promissory note, loan agreement, security agreement, appraisals (collateral valuation documentation), and applicable correspondence. Original copies of legal documents will be maintained in a protected area.
4. Grant Compliance Tracking Information: All monitoring required to verify compliance with federal grant requirements will be performed annually at the time of the annual loan review. If the grant requires more frequent monitoring, the staff will follow the required schedule. Documentation will be maintained in the loan file.

## Standard Lending Terms

1. Equity or cash investments.  
The RLF borrower will provide a 10% cash injection based upon the total project cost for an existing business and a 15% cash injection based upon the total project cost for a new business.
2. Repayment terms. Repayment terms for fixed assets, such as machinery and equipment, will be no more than ten years and no more than twenty years for the acquisition of or improvements to real estate. Working capital loans will have a maximum of seven year terms. A permanent loan commitment will be extended prior to construction or renovation of a building.
3. Interest Rates  
The minimum interest rate will be determined accordingly as four (4) percentage points below the current money center prime interest rate quoted in the Wall Street Journal, or the maximum interest rate allowed under State law. In no event shall the interest rate be less than the lower of four percent (4%) or seventy-five percent (75%) of the prime interest rate listed in the Wall Street Journal. If the prime interest rate listed in the Wall Street Journal exceeds fourteen percent (14%), in no event, will the maximum interest rate charged be more than ten percent (10%). The determined rate will be a fixed rate for the term of the loan.
4. Required collateral for borrowers. A personal guarantee will be required of all borrowers who have a 20% or more ownership interest in the business being assisted.
5. Loan sizes. The RLF will make loans with a minimum loan size of \$25,000 and a maximum loan size of \$100,000. Under exceptional circumstances the Board may approve a loan up to \$150,000, where a larger loan is necessary to assist in the expansion or attraction of business in a targeted industry cluster, with significant job creation. In any event, the RLF loan for each business will be no more than 33% of the total project cost.
6. Uses of Capital. The RLF will be targeted toward new and existing industrial, commercial, service and exporting businesses in the City of Norfolk. Funds from the RLF will be used to finance fixed assets such as real estate for the business to locate and operate, for machinery and heavy equipment for the business operation, and working capital. Heavy equipment and machinery must have a useful life of at least ten (10) years.
7. Restrictions on Use of Capital. Consistent with Federal EDA regulations (13 CFR § 307.17) RLF capital may not be used for the following: (1) to acquire an equity position in a private business; (2) to subsidize interest payments on an existing RLF loan; (3) to provide for borrowers' required equity contributions under other Federal Agencies' loan programs; (4) to enable borrowers to acquire an interest in a business either through the purchase of stock or through the acquisition of assets, unless sufficient justification is provided in the loan documentation. Sufficient justification may include acquiring a business to save it from imminent closure or to acquire a business to facilitate a significant expansion or increase in investment with a significant increase in jobs. The



potential economic benefits must be clearly consistent with the strategic objectives of the RLF; (5) to provide RLF loans to a borrower for the purpose of investing in interest-bearing accounts, certificates of deposit or any investment unrelated to the RLF; or (6) to refinance existing debt, unless the RLF recipient sufficiently demonstrates in the loan documentation a "sound economic justification" for the refinancing (e.g., the refinancing will support additional capital investment intended to increase business activities.

8. **Leveraging of Funds.** The financing structure for each loan will require that at least 67% of the project is privately financed. Loans will be structured so that 57% of the financing will be obtained from a financial institution or equity infusion, 33% from the RLF and a 10% cash injection from the borrower. For loans approved for a new business venture, the borrower must make an equity investment of at least 15% of the total project cost. The private investment must have been made within twelve (12) months prior to approval of an RLF loan, as part of the same business development project.

### **Interest Bearing Account**

All RLF loan payments will be maintained and reported in a separate RLF account. Once loan payments are received they will be placed in an interest bearing account until they are relent or expended on an eligible expense such as an annual audit. The RLF financial report will designate and make a careful distinction between repayment of principal and interest received on loans, interest received on RLF funds invested on short term basis until they are relent, and late payment penalties and fees.

### **Revolving Loan Fund Income**

RLF income will be used for the purpose of making loans or paying for eligible and reasonable administrative costs associated with the RLF's operations. RLF income will be used for administrative costs incurred in processing, servicing or sourcing existing and new loans. These costs will be reported in the semi-annual reports to EDA. RLF income that is not used for administrative costs will be used for new loans. RLF income may fund administrative costs, provided: (1) such RLF income and the administrative costs are incurred in the same six-month reporting period; (2) RLF income that is not used for administrative costs during the six-month reporting period is made available for lending activities; and (3) RLF income shall not be withdrawn from the RLF capital base in a subsequent reporting period for any purpose other than lending without the prior written consent of EDA.

### **Capital Utilization Standard**

A Capitalization standard of seventy-five percent (75%) will be maintained for the revolving loan fund. Repayment and lending schedules will be monitored to ensure seventy-five percent (75%) of funds are in use for the duration of the program. Income earned during a reporting period is not included as RLF capital when calculating the capital utilization percentage.

When the percentage of loaned RLF capital falls below seventy-five percent (75%), capital utilization percentage for two (2) consecutive reporting intervals, the excess funds will be deposited into a separate interest-bearing account, separate from the RLF account. Interest from the sequestered funds will be remitted proportionally each quarter according to EDA RLF requirements. Use of the funds for new loans will require EDA approval.



## **Collections**

Loan Payment and Collection Procedures. The RLF will encourage but not require a system of automatic payment withdrawals. For borrowers who do not participate in this system, a payment notice will be mailed monthly. The RLF staff will promptly account for and deposit all payments received in a federally insured RLF bank account.

## **Monitoring**

The RLF staff will monitor each loan on a continuing basis to make sure that:

1. The asset financed is maintained in good condition.
2. That annual financial statements are provided by the borrower and reviewed for potential problems.
3. That an annual site visit is conducted to make sure the borrower is complying with all applicable RLF loan requirements and federal requirements.
4. That all required insurance is in place at all times and that EDA is named as a loss payee.
5. That all UCC filings are in place and refiled as necessary to protect the interests of the RLF.

## **Foreclosures**

Procedures for handling loans over 90 days in arrears. The RLF staff will discuss any loan 90 days or more in arrears with the Loan Committee, and EDA Board and the private sector lender/bank which holds the first deed of trust on the property for which a RLF loan has been made. The RLF staff will take whatever steps are necessary and prudent to collect overdue payments, including but not limited to, instituting foreclosure proceedings so that the fixed asset can be sold to recover funds loaned and seeking a court judgment against the borrower(s) to recover the amount owed to the RLF from the personal resources of the borrower(s).

## **Write-off Procedures**

The RLF staff will diligently and forcefully pursue recovery of all principal, accrued interest and late payment penalties. In those instances where despite the concerted efforts of the RLF staff and its attorneys, the RLF is not able to recover the amount owed, the RLF staff will report the amount unrecoverable to the Norfolk First Loan Committee as a loss and charge off this amount as a loan write-off.

## **Evidence of Fidelity Bond Coverage**

EDA will maintains Fidelity coverage with an insurance provider. A copy of the policy declaration will be maintained and updated with the plan. The fidelity bond coverage for staff authorized to handle funds under the Grant award is in an amount up to \$500,000 single loss which is sufficient to protect the interests of EDA and the RLF as it exceeds original and current capitalization for the revolving loan program.

## **Accounting Principles**

EDA operates in accordance with generally accepted accounting principles (GAAP) and follow governmental accounting standards board (GASB).



## **Part III: Administrative Procedures**

### **LOAN ADMINISTRATION**

Loan servicing begins immediately after the Closing, and continues for the term of the financing. The loan servicing function is a part of a proactive system which includes post loan review to ensure the continuing viability of the loan.

Loan records will be maintained and tracked using computer software that interfaces with QuickBooks. Department of Development staff is responsible for:

- Maintaining current information in the loan file.
- Collecting updated financial information (tax returns and/or financial statements) on an annual basis or more frequently if required in the loan agreement.
- Monitoring and receiving updated or renewed insurance coverage.
- Monitoring and receiving updated tax payment information (for real estate, personal property, and income).
- Monitoring and reviewing UCC Financial Statements (filing renewals or modifications as needed).
- Responding to Borrower's requests for modifications to the existing loan.
- Conducting formal and/or informal periodic site visits and phone calls.
- Conducting annual reviews.
- Providing periodic reports to the Economic Development Authority.

### **PERFORMANCE MONITORING**

#### **Private Leverage Commitments**

The EDA reserves the right to monitor the use of funds and expenditures of the private leverage commitment. Documentation may include invoices or receipts for materials and supplies, letters from lenders, documents of conveyance, and canceled checks.

#### **Hiring of New Employees**

The Department of Development, for the benefit of the Economic Development Authority, shall monitor the borrower's progress in meeting agreed-upon job creation or retention goals. Failure of the business to provide the targeted number of Low to Moderate Income (LMI) level jobs may be a condition of default unless the business can show it made a good faith effort to create the targeted number of LMI jobs, but did not succeed due to reasons beyond its control.

#### **Annual Review**

In order for an Annual Review to be an effective management tool, it must be performed within 90 to 120 days of a Borrower's fiscal year end. If the Borrower has filed an extension on its tax returns, a copy of the extension should be maintained in the file. The purpose of the annual review is to:

1. Determine if there has been a change in the Borrower's financial position which could affect repayment ability;
2. Determine if there has been a violation of any loan covenant;
3. Determine if there has been any material change in the collateral and guarantees securing the loan which threatens the collateral coverage;
4. If necessary, provide a platform from which an Action Plan can be developed with the borrower which will address or remedy any outstanding deficiencies.

**Annual Review Steps**

1. Collecting financial statements and information on an annual basis (to include an updated Personal Financial Statement for all borrowers/guarantors);
2. Performing updated personal and corporate credit checks as needed;
3. Comparing financial information and performance against loan covenants;
4. Perform a site visit to interview borrower, check collateral and review financial analysis;
5. Preparing an annual loan review report to include that information gathered in steps 1-4;
6. Review the annual report with the applicable Committee and the Economic Development Authority.

**Events of Default**

Upon the occurrence of an event of default, a designated representative from the Norfolk Department of Development along with Economic Development Authority Counsel or an appointed representative will seek timely cure, and absent a cure, remedy.

**Use of Repayments and Reporting**

Repaid loans shall be re-deposited into the revolving loan fund from which it was disbursed and used in a manner consistent with this policy manual. A separate accounting record for each loan shall be kept to account for all funds loaned. The EDA shall submit annual reports to the City as prescribed by federal requirements for compliance. The EDA shall submit a Revolving Loan Fund Semi-Annual Financial Report (ED-209) as required.

**GRANT COMPLIANCE**

1. Procedures for Complying with EDA Reporting Requirements. RLF Staff maintain all RLF financial records and will receive and account for all payments made on RLF loans.

All RLF loan payments will be maintained and reported in a separate RLF account. Once loan payments are received they will be placed in an interest bearing account until they are relented or expended on an eligible expense such as an annual audit. The RLF financial report will designate and make a careful distinction between repayment of principal, interest received on loans, interest received on RLF funds invested on a short term basis until they are relented, and late payment penalties on fees.

3. Grantee Control Procedures for Ensuring Compliance with all Grant Requirements and for Monitoring the RLF Portfolio. The RLF staff will continually monitor the RLF loan portfolio to insure that all terms and conditions of the RLF loan are complied with and that the borrower is in compliance with all applicable RLF/EDA codes and regulations. The RLF staff will coordinate with the Economic Development Administration staff, to review grant requirements and to go over the loan program and loan portfolio so as to make sure that all grant requirements are met.



4. The loan agreement shall contain covenants that shall require the borrower to comply with the Federal statutory and regulatory requirements that apply to activities carried out with RLF loans. The loan agreement shall contain a provision to protect and hold the Federal government harmless from and against all liabilities that the Government may incur as a result of providing an award to assist (directly or indirectly) in site preparation or construction as well as the renovation or repair of any facility or site. This applies to the extent that such liabilities are incurred because of ground water, surface, soil or other conditions caused by operations of the RLF Recipient or any of its predecessors on the property. The loan agreement shall also include a list of the Federal requirements that apply to RLF Borrowers as provided in U.S. Department of Commerce Economic Development Administration *Revolving Loan Fund Standard Terms and Conditions, Part III. Lending Restrictions and Borrower Requirement.*



**UNITED STATES DEPARTMENT OF COMMERCE  
Economic Development Administration**

The Curtis Center  
601 Walnut Street  
Suite 140S  
Philadelphia, PA 19106-3323

Leslie Osborne  
City of Norfolk  
500 E. Main St.  
Suite 1500  
Norfolk, VA 23510

**EDA Project # 01-49-03642**

Dear Ms. Osborne:

Thank you for the submission of City of Norfolk's EDA Five Year Revolving Loan Fund (RLF) Plan. The Philadelphia Regional Office has completed its review, in accordance with EDA regulations. EDA offers approval of your EDA RLF Plan.

Please note that a Plan modification request must be approved by EDA before an RLF operator may change any aspect of their Plan or the operation of their revolving loan fund program. You will be required to submit your next 5 Year plan in February 2021.

We wish you continued success in your efforts to implement the economic development activities described in your RLF Plan. Please address any questions to Kia Booker, RLF Economic Development Specialist for Virginia at (215) 597-1080 or by email at [kbooker@eda.gov](mailto:kbooker@eda.gov).

Sincerely,

A handwritten signature in dark ink, appearing to read "Paul Matyskiela", is written over the word "Sincerely,".

Paul Matyskiela  
Administrative Director

